

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

REQUEST FOR PROPOSAL

IN THE MATTER OF THE APPLICATION OF SOUTHWEST GAS CORPORATION  
FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND  
CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON  
THE FAIR VALUE OF THE PROPERTIES OF SOUTHWEST GAS CORPORATION  
DEVOTED TO ITS OPERATIONS THROUGHOUT ARIZONA.  
(DOCKET NO. G-01551A-07-0504)

PROPOSALS TO BE CONSIDERED MUST BE RECEIVED  
ON OR BEFORE

OCTOBER 19, 2007

ISSUE DATE: SEPTEMBER 27, 2007

## **1. INTRODUCTION**

You are invited to submit a proposal in accordance with the specifications contained in this Request for Proposal (“RFP”). Offerors must submit an original and seven (7) hard copies of their proposals on or before 3:00 p.m., October 19, 2007. The successful candidate(s) will serve as a Consultant(s) to the Arizona Corporation Commission Utilities Division Staff (“Staff”) in the Southwest Gas Corporation’s (“Southwest” or “Company”) general rate application (Docket No. G-01551A-07-0504).

The services of Consultants are requested for all aspects of this filing. However, proposals will be considered for all or portions of the work elements.

Southwest’s complete filing, consisting of direct testimony, schedules and exhibits are available on the Commission’s web site, at <http://edocket.azcc.gov/>.

## **2. BACKGROUND**

### **2.1 DESCRIPTION OF THE COMPANY**

Southwest is a public service corporation engaged in the transmission and distribution of natural gas for sale in Arizona, Nevada, and California. Additional information about the Company can be found on its web site at <http://www.swgas.com/>. The Company currently provides service to approximately 1.8 million customers across the three states it serves. This includes approximately 960,000 customers in portions of Cochise, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Pima, Pinal, and Yuma Counties in Arizona. For the test year ending April 30, 2007, Southwest reports sales of 743,110,918 therms for an aggregate of \$399 million in adjusted revenues. Additionally, Southwest reports total gas costs of approximately \$645 million for the test year. Southwest is managed from its headquarters in Las Vegas, Nevada.

### **2.11 RATE APPLICATION**

On August 31, 2007, Southwest filed an application with the Arizona Corporation Commission (“Commission”) to establish just and reasonable rates and charges designed to realize a reasonable rate of return on the fair value of the properties of Southwest Gas Corporation devoted to its operations throughout Arizona. The request is for a revenue increase of \$50,220,646. This is a 12.58 percent increase on the margin component or a 4.79 percent increase to total margin and gas cost revenues. The Company’s current rates were approved in Commission Decision No. 68487 dated February 23, 2006.

The Company has indicated that the proposed revenue increase is attributable to six major reasons and causes:

1. Declining average residential usage
2. The loss of general service customers

3. Increased expenses
4. The Company's cost of capital versus what is currently authorized
5. The Company's request for inclusion of costs related to the management incentive plan (MIP) and supplemental executive retirement plan (SERP)
6. Costs resulting from changes in rate base

Southwest states that it has not earned its authorized rate of return since the last rate case and will not earn its authorized rate of return absent rate relief. Southwest further indicates that its authorized rate of return is currently lower than rates authorized for other Arizona energy utilities. Since August 2004, Southwest has incurred approximately \$371 million in capital expenditures to meet customer growth.

Southwest is requesting a capital structure of 51 percent debt, four percent preferred equity, and 45 percent equity. The Company is further requesting a return on common equity (ROE) of 11.25 percent, an overall return on original cost rate base of 9.45 percent, and 7.04 percent fair and reasonable return on fair value rate base. Southwest has requested implementation of new rates by October 1, 2008.

The Company also requests the following issues be addressed:

1. An increase in the monthly customer charges.
2. Approval of a new allocation method for gas and non-gas costs by block of usage for residential customers.
3. Approval of a weather normalization mechanism.
4. Approval of a revenue de-coupling mechanism.
5. Revision of its existing PGA mechanism.
6. Certain revisions to its tariffs.

## **2.2 ADDITIONAL INFORMATION**

Meetings with Commission Staff will be held at 1200 West Washington, Phoenix, Arizona. When necessary, the Consultant(s) is expected to work on-site. Southwest maintains its books and records in its principal executive offices at 5241 Spring Mountain Road, Las Vegas, Nevada.

The Administrative Law Judge has not yet issued a procedural schedule for this case. Based upon the Company's request for the new rates to go into effect not later than October 1, 2008, Staff has estimated the following procedural timing for the Southwest rate case. There is no assurance that this timing will not be changed as the case proceeds.

- Staff and Intervenor Direct Testimony due in March 2008.
- Southwest Rebuttal Testimony due in April 2008.
- Staff and Intervenor Surrebuttal Testimony due in May 2008.

- Rejoinder Testimony due in June 2008.
- Hearing commencing in late June 2008.

Substantially complete Drafts of Consultant testimony must be made available for Staff review two weeks prior to any docketing/filing deadlines.

### **3.0 STATEMENT OF WORK**

Although the major work elements are identified below, other related issues may arise which will need to be addressed. During the course of the case, the Consultant(s) should expect some issues to expand while others diminish. It is possible that the Director of the Utilities Division may determine that certain portions of the case would be better addressed by internal Staff. The Consultant(s) would then need to adjust the work hours and bill accordingly. Staff requests that the Consultant(s) maintain a high degree of flexibility as the schedule and priority of work elements may change during the proceedings.

The Consultant(s) will undertake all tasks required to conduct the examination and analysis as indicated in the Major Work Elements specified below and make appropriate recommendations consistent with general accounting and ratemaking principles, A.A.C. R14-2-103, previous Commission orders and the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts.

### **3.1 MAJOR WORK ELEMENTS**

Proposals are sought for all or portions of the Work Elements identified in Southwest’s filing.

#### **3.1.1 RATE OF RETURN**

- 1) Determine the most appropriate and economical capital structure to be used for setting Southwest’s rates.
- 2) Determine the appropriate cost of long-term debt for use in setting rates for Southwest.
- 3) Determine the appropriate cost and amount of preferred stock.
- 4) Perform a cost of equity study to estimate the cost of equity for Southwest to be used in setting rates.
- 5) In conjunction with Staff, prepare an overall Cost of Capital.
- 6) Develop a Staff recommended fair value rate of return consistent with the position taken by Staff in rate cases following the remand of *Chaparral City Water Company v. Arizona*

*Corporation* Commission, 1 CA-CC 05-0002 (Memorandum Decision). Copies will be provided. Particular attention should be paid to the Staff testimony provided following the remand of Chaparral City Water Company in the Application of Chaparral City Water Company for an Increase in Rates, Docket No. W-02113A-04-0616. Staff's testimony, schedules and exhibits are available on the Commission's web site, at <http://edocket.azcc.gov/>.

### **3.1.2 PURCHASED GAS ADJUSTOR MECHANISM**

- 1) Review, critique and make recommendations for improving the PGA mechanism.

### **3.1.3 RATE BASE AND REVENUE REQUIREMENT**

- 1) Develop Staff's recommendation for the revenue requirement for Southwest.
- 2) Identify, analyze and audit adjustments to the test year data made by the Company, determine if appropriate adjustments have been omitted and incorporate the omitted adjustments into recommendations.
- 3) Review allocations of rate base and operating income between the Arizona jurisdiction and other jurisdictions.
- 4) Examine, analyze, review, and audit test year revenues and expenses, including but not limited to annualization of customers, purchased gas costs, advertisements, weather normalization, marketing expenses, salary and wage increases, administrative and general cost allocations and income taxes, and develop recommendations for total test year operating revenues and expenses that reflect minimal deviations from on-going average cost.
- 5) Audit and develop an original cost rate base including but not limited to plant-in-service, accumulated depreciation, customer deposits, customer advances, contributions-in-aid-of-construction, accumulated deferred income taxes, and working capital (lead-lag study).
- 6) Prepare forecasts of the number of customers and usage as needed.
- 7) Review and evaluate the depreciation study submitted by the Company and provide revised depreciation schedules as necessary.

### **3.1.4 RATE DESIGN**

- 1) Review and rebut Southwest's rate case cost of service study.
- 2) Prepare a rate design for which the billing determinants will generate the appropriate revenue requirement.

- 3) Review and evaluate the Company's low income discount tariffs.
- 4) Review and provide recommendations on Southwest's proposed changes to its miscellaneous service fees.
- 5) Review and evaluate the Company's proposed changes to its Rules and Regulations.

### **3.1.5 REVENUE DECOUPLING MECHANISMS**

- 1) Review and critique the Company's proposed allocation of gas and non-gas costs between usage blocks.
- 2) Review and critique the Company's proposed Weather Normalization Adjustment Provision (WNAP).
- 3) Review and critique the Company's proposed Revenue Decoupling Adjustment Provision (RDAP).

### **3.1.6 GAS PROCUREMENT REVIEW**

- 1) Conduct a gas procurement review for the period of September 2004 through April 2007.
- 2) Obtain and evaluate Southwest's natural gas procurement policies and procedures. Determine the effectiveness of the policies and procedures and their ability to address conflicts of interest involving employees, affiliates, and company to company transactions. Provide assessment of the policies and procedures in view of today's volatile natural gas marketplace.
- 3) Perform a general review of Southwest's PGA including its accounting, and prepare a historical record of prices paid by Southwest and evaluate Southwest's purchases for reasonableness based on hub pricing and other applicable industry data.
- 4) Audit contracts of various durations to determine if they were entered into, and administered, in accordance with Southwest's policies and procedures. Staff does not envision auditing all purchase orders and contracts; the consultant is expected to develop an audit plan that involves the detailed review of a representative sample of Southwest's purchase orders and contracts. The consultant will be expected to explain and defend the reasonableness of the sample selected.
- 5) Evaluate Southwest's hedging policies and procedures for reasonableness. Determine whether Southwest has followed these policies and procedures.

- 6) Make at least one on-site visit to witness and analyze the daily and monthly nominating, bidding and scheduling processes as applicable.
- 7) Evaluate Southwest's decision-making processes and procedures in bidder award and evaluation. This will include, but is not limited to, an evaluation of Southwest's internal approval process and the presence and execution of internal checks and balances.
- 8) Examine Southwest's interstate pipeline capacity portfolio and the Company's management of its pipeline capacity. Review Southwest's planning for future pipeline capacity needs.
- 9) Review interstate pipeline penalties incurred by Southwest and, if appropriate, make recommendations regarding these penalties.
- 10) Review and critique the indices used by Southwest in setting prices for their natural gas purchases in light of recent natural gas market manipulation issues.
- 11) Prepare a report including the results of the analysis described above and containing supported conclusions and recommendations.
- 12) Perform a benchmarking study that compares Southwest's gas purchasing policies and procedures to that of other gas utilities in the country.

Item #12 above is optional. Contractors should supply a completely separate bid price for item #12 in the cost sections of their proposals.

### **3.1.7 PIPELINE SAFETY**

- 1) Review any pipeline replacement projects related to the rate case.
- 2) Review the costs passed through and functioning of the adjustor mechanism for transmission integrity management program ("TRIMP") expenses.
- 3) Conduct an engineering review of Southwest's assets to determine the "used and usefulness" of assets included in its proposed rate base. This review should include appropriate field inspections.

### **3.1.8 RECONSTRUCTION COST NEW STUDY**

- 1) Review Southwest's Reconstruction Cost New ("RCN") Study and, if necessary, perform an independent RCN study.
- 2) Calculate the Reconstruction Cost New Depreciated ("RCND") value for Southwest's proposed rate base.

### **3.1.9 OTHER MATTERS**

- 1) Review Southwest's demand-side management activities and make any necessary recommendations for changes to Southwest's approach to demand-side management.
- 2) Review Southwest's line extension policy and make recommendations regarding Southwest's line extension policy.
- 3) Review the advisability of implement a hookup fee for Southwest. Based on Staff's direction, develop an appropriate hookup fee for Southwest.
- 4) Review Southwest's natural gas research and development expenses and the functioning of the gas research and development adjustor mechanism.
- 5) Assist with work required for compliance with the Commission Decision in this case.

### **3.1.10 GENERAL REQUIREMENTS APPLICABLE TO ALL WORK ELEMENTS**

- 1) Coordinate testimony with Internal Staff and other Consultants to insure that all recommendations are consistent among Staff witnesses.
- 2) Attend meetings in person or via teleconference as requested by Staff.
- 3) Prepare and submit data requests necessary for the analysis and prepare responses to data requests served on Staff.
- 4) Read and analyze all testimony, schedules and data responses submitted by Southwest and all other parties to this docket.
- 5) Prepare expert testimony as required and scheduled by the Procedural Order.
- 6) Rebut the assertions of Southwest and intervenors with which Staff disagrees.
- 7) Appear and testify at the evidentiary hearing regarding this matter.
- 8) Assist the Commission's Legal Division with the preparation of cross examination questions.
- 9) Assist the Commission's Legal Division with the preparation of the legal brief.
- 10) Review the Proposed Opinion and Order issued by the Hearing Division in this case and evaluate issues for potential exceptions or rehearing.



- 11) If requested, appear at and respond to Commissioners' questions at Open Meeting.

### **3.2 WORK PRODUCTS**

As evidence of completion of the major work elements, the Consultant(s) must provide the following work products:

- 1) Electronic copies of audit guides, testimony and/or workpapers developed in Microsoft Excel or Word format.
- 2) Electronic copies of proposed data requests in Microsoft Excel or Word format.

### **3.3 ESTIMATED COMPLETION DATES**

Preliminary conclusions and recommendations resulting from the Work Elements in Section 3.1 are estimated to be completed by February 28, 2008. The schedule for any remaining work elements has not been finalized. Drafts of testimony for Staff review should be made available two weeks prior to any docketing/filing deadline.

### **3.4 PROGRESS REPORTS**

Throughout all phases of work, the Consultant(s) will be required to submit, on a monthly basis, three (3) copies of a work status report to the Director of the Utilities Division, or the Director's designee, who will assess the report and notify the Consultant(s) of any significant problems. The report should contain the following information:

- 1) Comparison of actual or planned progress in carrying out all of the Consultant(s) tasks during the previous month.
- 2) Identification of actual or potential problems in completing the work with an assessment of their probable impacts and any recommended solutions to the problem.

No invoices will be accepted unless these required progress reports have been submitted.

## **4. CONTRACT MANAGEMENT**

The Director of the Utilities Division, or the Director's designee, is responsible for the overall management of this project. Among other things, the Director, or the Director's designee, will be responsible for:

- 1) Overseeing the project operation as it relates to the policy questions.
- 2) Determining any changes in emphasis or end product that may be desired.

- 3) Assessing the progress and problems of the project.
- 4) Reviewing status reports and approving Consultant's proposed plans for action.
- 5) Determining final compliance with terms of the contract.

## **5. INSTRUCTIONS FOR PREPARING PROPOSALS**

### **5.1 GENERAL INSTRUCTIONS**

Offerors should prepare a single proposal package containing two separate sections: a Technical Section and a Cost Section. An original and seven (7) copies of the proposal are to be mailed or delivered to:

Ernest G. Johnson  
Director of Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Joint ventures involving several firms will be considered, provided that a prime Consultant, who shall be responsible for coordinating the work of sub-Consultants, is clearly identified. The prime Consultant will be responsible for the timely completion of the work performed by sub-Consultants. The work tasks (and associated budget) to be provided by sub-Consultants must be clearly defined as part of the proposal.

The cover sheet for the proposal should indicate clearly the consulting firm's name, primary contact telephone number and address<sup>1</sup>; the coinciding RFP name, i.e., "In the matter of the application of Southwest Gas Corporation for the establishment of just and reasonable rates and charges designed to realize a reasonable rate of return on the fair value of the properties of Southwest Gas Corporation devoted to its operations throughout Arizona (Docket No. G-01551A-07-0504)". To be considered for the award, all proposals must be received no later than 3:00 p.m., October 12, 2007.

---

<sup>1</sup> The listed telephone number and address location will be considered the primary means of contact for any and all members of the Prime Consultant's team for billing purposes. Any costs associated with the use of multiple office locations on the part of the Prime Consultant and the Prime Consultant's team (including sub-Consultants) in conducting this project shall be assumed by (i.e. the sole responsibility) Prime Consultant, these costs include but are not limited to the actual costs of using 1) facsimiles, 2) electronic or parcel mailings, or 3) telephonic equipment (such as long distance calling or conference calling lines) as forms of communications among the Prime Consultant's team members and /or offices.

Proposals should be prepared simply and economically, providing a straightforward, concise description of Consultant's capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content. Proposals will be opened publicly on October 19, 2007 at 3:00 p.m. at the Arizona Corporation Commission Offices, 1200 West Washington (Room 202), Phoenix, Arizona 85007. Previously submitted offers may not be withdrawn after that time.

After contract award, the proposals shall be open for public inspection except to the extent that the withholding of information is permitted or required by law. Additionally, work performed under contract will become a matter of public record unless determined confidential.

Consultants are required to retain all records relating to this contract for five years after the contract's completion.

## **5.2 TECHNICAL SECTION FORMAT**

The Technical Section should be submitted as a separate part of the total response to this RFP. The proposal format should be the same as the format below and all information requested must be presented.

**PART I. Business Organization.** State the full name and address of your organization and, if applicable, the branch office or other subordinate element that will perform or assist in performing the work. For any sub-Consultants included in your proposal, indicate whether they operate as an individual, partnership or corporation; if as a corporation, include the state in which they are incorporated. State whether they are licensed to operate in the state of Arizona.

**PART II. Project Summary.** Present your understanding of the project requirements, its goals and objectives, and a summary of the problems which must be addressed and solved to successfully fulfill the requirements. Include a brief narrative description of your proposed effort and of the products that will be delivered.

**PART III. Work Plan.** Describe your plan for accomplishing the work. Indicate the number of person-hours you have allocated to each task. Include a time-related display showing each task, event and decision point in your plan.

**PART IV. Management Summary.** Provide an overview explanation and chart showing project leadership and supervision, reporting responsibilities, and Consultant (and Sub-Consultant, if appropriate) team interfaces. Identify individuals by name and title. Indicate the procedures you will use for scheduling and controlling the work to be performed. Indicate the person, or persons, responsible for each phase of the work, and indicate the person with ultimate responsibility for completion of the project.

**PART V. Prior Experience.** Provide a brief description of recent assignments that would qualify your firm to undertake the proposed work. Include the project title and completion date related to each assignment. Also include the names of each assignment's project manager and other key participants. Provide a specific reference including name, title, and organization, address and telephone number for each assignment given.

**PART VI. Personnel.** Include the number of executive and professional personnel by skill and qualification. Show where these personnel will be stationed during the time they are engaged in the work. Show the inclusive periods, total number of hours, and percent of time that each individual will devote to this project. Identify each individual by name and title. Provide resumes of all executive or professional personnel. Indicate by name and title who prepared the proposal and how the individual will participate in the project. Specify personnel who will testify in the hearing and identify their previous experience in providing testimony.

**PART VII. Relationships with Arizona Utilities.** List all Arizona public utilities or public utility affiliates for which your firm or any members of your professional staff proposed for the project, has worked in a professional capacity during the past three years. For each firm listed, briefly describe the nature of the professional relationship and the impact of this relationship upon your firm's ability to serve the Commission in an independent capacity. Describe any other legal, professional, or financial relationships between Arizona public utilities and any key members.

**PART VIII. Authorized Negotiators.** Include the name, address and telephone numbers of person(s) in your organization authorized to negotiate the proposed contract.

### **5.3 COST SECTION FORMAT**

The Cost Section should be submitted as a separate part of the total response to this RFP. The format should be the same as below and all information requested must be present.

The information requested in this section is required to support the reasonableness of your quotation. Your established method of costing may be used and described.

1. Labor Costs – Itemize so as to show the following for each category of personnel with a different rate per hour:
  - a. Category: e.g., Project Manager, Senior Analyst, etc.;
  - b. Project work station location;
  - c. Estimated hours;
  - d. Rate per hour; and
  - e. Total cost for each category and for all direct labor proposed.

2. Cost of Supplies – Itemize these costs.
3. Other Direct Costs – Itemize these costs.
4. Transportation and Subsistence Costs – Show travel cost and per diem separately.
5. Total Price Bid Project – By separate explanation, segregate the labor costs between direct labor costs, indirect or overhead costs, and fixed fee or profit.

## **6. PROPOSAL EVALUATION CRITERIA**

The contract will be awarded to the offeror whose proposal is determined to be most advantageous to the state based on the factors set forth in this Request for Proposal. The successful offeror will be chosen based on several factors and not on cost alone. In addition, the Commission reserves the right to award less than the entire work project described in Section 3 to any one Consultant and to direct the retention of a sub-Consultant or sub-Consultants approved by the Commission. Offerors who submit a proposal may be required to make an oral presentation of their proposals to the Commission Staff. These presentations may be conducted with responsible offerors who submit proposals that are reasonably susceptible to being selected for award for the purpose of clarification to assure full understanding of, and responsiveness to, the requirements of this RFP. In the course of these presentations, there shall be no disclosure of any information derived from proposals submitted by competing offerors. The Commission Staff also reserves the right to conduct a Best and Final Offer process.

The following is a list of the factors in descending order of relative importance that specifically will be considered in evaluating the proposals received.

### **6.1 EVALUATION FACTORS**

**6.1.1 Demonstrated Understanding of the Project.** A determination will be made of the bidder's clear understanding of the project. Specifically, points will be accrued for the bidder's demonstrated understanding of the public utility regulatory issues on a national scope; understanding of the treatment of issues under the state of Arizona's regulatory law; reference to case-specific issues as identified by bidder and understanding of the impact of these issues upon the consumers of Arizona.

**6.1.2 Technical Credibility.** An evaluation will be made of the soundness of the proposal as it relates to the technical details of the project in order to attain the requirements described in the RFP, including a proposed work plan and management plan. Attention will be given to the distribution of person-hours by task for each Consultant team member; the percentage of each team member's time devoted to this project; the chart highlighting relevant deadlines by task; and the clear identification of proposed witnesses and individuals assigned to participate in the hearing.

**6.1.3 Qualifications of the Firm.** The proposal will be reviewed with careful attention to the bidder's prior work experience in the areas described in Section 3.

**6.1.4 Qualifications of On-Site Consultant Team.** The proposal will also be reviewed with regard to the commitment of specific personnel to the project and their experience in the areas described in the Statement of Work as described in Section 3 of the RFP.

**6.1.5 Costs.** An evaluation of the reasonableness of the proposed cost in light of the project scope will be made.

## **6.2 TERMS AND CONDITIONS OF THE AWARD**

The Contract referred to in this, and in subsequent sections, is the contract or agreement between the State and the successful bidder. The Commission contemplates that a fixed price reimbursement type contract will be awarded. Reimbursement will be made for authorized travel and subsistence expenses only upon submission and approval of receipts and required back-up information as indicated in this RFP and in the procedures set forth by the Business Office of the Commission.<sup>2</sup>

Payments will be made upon submission of an approved original invoice and three (3) legible copies. Each invoice will clearly show: the Consultant's name and address; amount of the bill; the Commission contract billing number and date; the hours and rates per individual designating dates, time and hours worked, and distinguishing charged hours from non-charged hours; and the percentage of work completed. Invoices which carry requests for reimbursement of travel and subsistence must be exact and must be accompanied by all required backup information with copies of appropriate legible receipts for each reimbursement. All invoices will be reviewed and must be approved by the State prior to payment.

Payments for invoices covering work on contract deliverables may be withheld pending delivery and acceptance of such deliverable items. The Commission reserves the right to withhold a percentage not greater than 15 percent of each payment until all the work defined in the contract is completed to the satisfaction of the Commission. No invoices will be accepted unless the required detailed progress reports have been submitted.

---

<sup>2</sup> The listed telephone number and address on the cover sheet, as described in General Instruction, Section 5.1, will be considered the primary means of contact for any and all members of the Prime Consultant's team for billing purposes. Any costs associated with the use of multiple office locations on the part of the Prime Consultant and the Prime Consultant's team (including sub-Consultants) in conducting this project shall be assumed by (i.e. the sole responsibility) Prime Consultant, these costs include but are not limited to the actual costs of using 1) facsimiles, 2) electronic or parcel mailings, or 3) telephonic equipment (such as long distance calling or conference calling lines) as forms of communications among the Prime Consultant's team members and /or offices.

### **6.3 REGULATIONS FOR THE REIMBURSEMENT OF EXPENSES**

In order for reimbursement to occur, regulations must be adhered to, in detail, as described in this RFP and as set forth by the Business Office of the Commission.

**6.3.1 General Regulations.** All receipts must be legible and accurate to the penny in order for reimbursement to occur. If an invoice is returned for a correction, all copies must be revised and resubmitted. Invoices must be submitted on a timely basis. The Commission should not receive requests for reimbursement several months after the expenses were accrued.

**6.3.2 Prohibitions.** Bankcard charges without receipts, travel agency receipts and/or invoices are not acceptable. No reimbursement shall be made for lodging or meals within the county of the Consultant's headquarters, or within fifty (50) miles of the Consultant's residence. No reimbursement requests for person-hour charges and expenses should be submitted simultaneously as each should be invoiced separately.

**6.3.3 Expense Reimbursement.** Expenses should be recorded daily as they occur, with identification numbers assigned to each expense charge and corresponding receipt. All receipts must be dated. Receipts should be attached assigned reference numbers for easy identification.

**6.3.4 Transportation Expense, Airfare.** The State will only reimburse for coach passenger fare. If you are forced to travel First Class in order to meet a deadline, you must include an explanation in order to receive payment. The actual airplane ticket (or a copy) must be attached. The Commission will not accept travel agency invoices or credit card receipts as proof for payment. Travel times must be clearly indicated.

Mileage. Indicate origin, destination, any intermediate destination including corresponding mileage, as well as the purpose of the trip, and record the mileage in the appropriate space provided. This is the only expense for which reimbursement can occur without a receipt. Always record travel times. Mileage charge must be at precisely the current rate per mile, which will be designated in the contract; and will be based upon the most direct road routes available, from the departure point to the point of destination.

Names of all employees traveling in the automobile must be clearly stated.

Taxi Fare and Shuttle Service. Indicate origin and destination of trip and attach receipt from driver.

Parking. Record in the appropriate blank and attach receipt.

Car Rental. You must include a legible receipt and explain the necessity for this expense.

Miscellaneous. Legible receipts must be submitted for any miscellaneous travel expenses such as tolls, bus rides, etc.

- 6.3.5** Meals and Lodging. You will need to identify individuals included in each receipt and record the dollar amount for each daily meal charged. Include meals eaten at your place of lodging in this section even though the amount appears as part of the hotel receipt. Legible receipts must be included for any meal, and do remember that the State of Arizona's reimbursement cannot include charges for entertainment or alcoholic beverages. As previously stated, the Commission cannot reimburse for expenses documented only by a credit card receipt.

If you accrue lodging expenses in any cities other than Phoenix, Arizona or neighboring communities, explain the purpose of the trip to that city. Attach a copy of the actual hotel bill to the invoice. The Commission will not reimburse for hotel accommodations documented by a credit card receipt. Legible receipts are required.

- 6.3.6** Telephone Charges. The simplest method of documenting telephone charges is to attach a copy of your monthly bill from the telephone Company and highlight those calls for which you wish to be reimbursed. Identify parties called for all telephone numbers other than the State of Arizona exchange (602). Include in this reporting procedure telephone calls which originated from your place of lodging even though the amount appears as part of the hotel receipt.

- 6.3.7** General Expenses, Shipping. Itemize and attach appropriate receipts. Consultant shall pay all costs associated with interpersonal communications such as phone calls, mail, and/or shipping between one Consultant office and another. Commission shall pay only all costs associated with direct communication and shipping between Consultant and Commission.

Duplicating. Indicate number of pages and rate per page (e.g., 1,000 copies @ 10 cents/page = \$100) on expense reporting form. Charge must not exceed 10 cents per copy. Identify the substance in the appropriate blank (testimony, draft testimony, other, etc.)

Materials and Supplies. If the materials and supplies originate from your own stock and no receipt is available, you must state this on the Commission form and identify those materials and supplies for which you wish to be reimbursed. If a receipt is available, it should be attached to the invoice.

## **6.4 GENERAL CONDITIONS**

- 6.4.1** Cancellation of Contract. If, through any cause, the Consultant shall fail to fulfill, in a timely manner, his/her obligations under this Contract, the Commission shall thereupon have the right to terminate this Contract by giving written notice to the Consultant of



such termination and specifying the effective date thereon. In the event of termination, all properties, finished or unfinished documents, data, studies, and reports purchased or prepared by the Consultant under this Contract shall, at the option of the Commission, become the property of the Commission, and the Consultant shall be entitled to compensation for any unreimbursed expenses necessarily incurred in satisfactory performance of the Contract. Notwithstanding the above, the Consultant shall not be relieved of liability to the Commission by virtue of any breach of the Contract by the Consultant, and the Commission may withhold any reimbursement to the Consultant for the purpose of the set off, until such time as the exact amount of damages due the Commission from the Consultant is agreed upon or otherwise determined.

**6.4.2** Changes. The Commission may, from time-to-time, require changes in the services of the Consultant to be performed hereunder. Such changes, including any increase or decrease in the amount of the Consultant's compensation which are mutually agreed upon by the Commission and the Consultant, must be incorporated in written amendments to this Contract.

**6.4.3** Conflict of Interest. No officer, employee, or member of the Consultant's governing body, and no other public official of the governing body of the locality, or localities in which the project is situated or being carried out, who exercises any functions or responsibilities in the review and approval of the undertaking or carrying out of this project, shall participate in any decision relating to this Contract which affects the Consultant's personal interest, or have any personal or pecuniary interest, direct or indirect, in this Contract or the proceeds thereof.

Consultant agrees that he/she presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Contract. The Consultant further covenants that, in the performance of this Contract, Consultant shall not employ any person having any such interest.

The Commission reserves the right to establish the specific conflict of interest requirements which will govern any contract resulting from this RFP.

**6.4.4** Copyright Prohibited. No reports, maps, any other documents or materials produced in whole (or in part) under, or as a result of, this Contract shall be the subject of an application for copyright by or on behalf of the Consultant.

**6.4.5** Consultant Conditions. Consultant shall make prompt payment, as due, to all supplier(s) of labor or material for the performance of the work provided for in this agreement. Consultant shall pay all contributions, or amounts, due the Industrial Accident Fund from such Consultant and/or Sub-Consultant incurred in the performance of the Contract. Contract shall not permit any lien, or claim, to be filed or prosecuted against the State on account of any labor or material furnished. The Consultant is required to hold and

maintain all licenses and permits required for the operation of the business conducted by the Consultant as applicable to the contract.

- 6.4.6** Payment of Claims. If the Consultant fails, neglects, or refuses to make prompt payment of any claim for labor services furnished to the Consultant or a sub-Consultant by any person in connection with this agreement as such claim becomes due, the proper officer(s) representing the Commission, or State of Arizona, may pay such claim to the person furnishing the labor or services and charge the amount of the payment against funds due, or to become due, the Consultant by reason of agreement.

The payment of a claim in the manner authorized in this section does not relieve the Consultant or his/her surety from his/her or its obligation with respect to unpaid claims.

- 6.4.7** Contract Terms. When a contract is awarded, the RFP will be incorporated into the contract, and the contract will include the following provisions. First, the laws of the State of Arizona shall govern the construction and interpretation of this Agreement.

Second, all parties are hereby put on notice that this Agreement is subject to cancellation.

Third, Consultant and Commission recognize that, in actual economic practice, overcharges resulting from anti-trust violations are, in fact, borne by the Purchaser. Therefore, Consultant hereby assigns to Commission any and all claims for such overcharges.

Fourth, each payment obligation of the Commission created hereby is conditioned upon the availability of State or Federal funds which are appropriated, or allocated, for the payment of such obligation. If funds are not allocated and available for the continuance of the function performed by any equipment, material or service, the contract period for any machine, material or service directly, or indirectly, involved in the performance of that function, may be terminated by the Commission at the end of the period for which the funds are available. The Commission shall notify the Consultant at the earliest possible time which machine, material or service will, or may be, affected by a shortage of funds. No penalty shall accrue to the Commission in the event this provision is exercised, and the Commission shall not be obligated or liable for any future payments due or for any damages as a result of termination under this Section. This provision shall not be construed so as to permit the Commission to terminate this Agreement of any machine, material or service listed on any schedule herein under in order to acquire similar equipment or service from another Consultant.

Fifth, the Commission explicitly reserves the right to terminate the contract resulting from this RFP upon five (5) days notice to the Consultant in the event a determination is made that the investigation contemplated in this proceeding is no longer necessary.

Sixth, no right or interest in the contract may be assigned without the written permission of the Director of Utilities or the Director's designee.

Finally, the parties agree to resolve disputes arising out of this Agreement pursuant to Arizona law.

**6.4.8 Indemnification and insurance.** Consultant agrees to defend, indemnify and save harmless the Arizona Corporation Commission and its divisions and all officers, agents and employees thereof (hereinafter "indemnities"), each severally and separately, against all liabilities, demands, claims, damages, losses, costs and expense of whatsoever kind or nature including, without limitation, any and all direct and indirect costs of defense made against, incurred or suffered by any such indemnities as a direct or indirect consequence of injury, sickness or disease including death to persons, injury to or destruction of property including without limitation the loss of use of property or any other cause of action whatsoever arising out of, or resulting from, or which would have not occurred or existed but for this Contract.

Consultant, performing as an independent Consultant hereunder, shall be fully responsible for all tax obligations, Workmen's Compensation insurance, and all other applicable insurance coverage, for itself and its employees, and the Commission shall have no responsibility or liability for any such taxes or insurance coverage.

## **6.5 FILING OF A PROTEST**

Any interested party may protest the award of a contract pursuant to the RFP. The protest shall include the following information:

1. The name, address, and telephone number of the protestor;
2. The signature of the protestor or its representative;
3. A detailed statement of the legal and factual grounds for the protest including copies of relevant documents; and
4. The form of relief requested.